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years after the beginning of the Russian occupation. The fear that the revolutionary enthusiasm of the Bulgarian masses (which, except in Yugoslavia, was unparalleled in this region after the war) would lead to too much independence of Russia, and the Russian bureaucracy's confidence that nationalisation could be carried out whenever they wished, caused them to postpone it until the revolutionary wave had ebbed at the end of 1947.

The timing of nationalisation in Rumania, Hungary and Bulgaria was determined by another very important factor—the Marshall Plan. The urge to trade with Western Europe, as expressed in the *unanimous* decision of the Czechoslovak government on 4 July, 1947, to take part in the Marshall Conference (a decision revoked when Gottwald and Masaryk visited Moscow on 10th July) made it necessary for Russia to strengthen her control over the economy of Eastern Europe, and this could be done only through state ownership of industries in all these countries. Hence the nationalisations in Bulgaria, Rumania and Hungary.

Poland

It is impossible to understand the process of nationalisation in Poland without taking into account two factors, namely, in the area of pre-war Poland, the existence of many industries previously controlled by German capital now remaining ownerless, and, what is even more important, the changes in Polish industry brought about by the annexation of the German area east of the Oder-Neisse and the expulsion of the German population from it. This area will be referred to as the Western territories of Poland, and the area of pre-war Poland as Old Poland.

The importance of the industry of the Western territories compared with the industry of Old Poland is shown by the following table:

ACTUAL PRODUCTION IN 1937 (IN THOUSAND TONS)

	Pre-War Poland	*Western Territories*
Coal	36,218.0	29,793.0
Coke	2,328.0	3,829.0
Briquettes ..	17.4	568.6
Brown coal	18.4	7,594.0
Zinc and lead ..	800.0	722.1
Iron ore	791.6	73.1

(*The World Today*, March, 1947)

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434 in railway construction, unless there is somebody ready to supply, in exchange for their agricultural products, the rails, locomotives, etc. In this connection, the supply of capital goods, the ability of Russia to help the countries of Eastern Europe, is even more limited. Russia's income is not big enough for part of it to be devoted to investments in Eastern Europe. Her heavy industries producing capital goods—the main constituent of any new investment—are much too weak to spare much for her satellites. This would have been absolutely clear had we been able to compare the amount of capital goods produced per capita in the U.S.S.R. with that produced in the countries of the West, but the necessary statistics for such a comparison are not available, and we shall have to resort to a less exact means of comparison to throw light on the subject. We shall compare the production in different countries of steel, the chief material from which capital goods are made. In the U.S.S.R. in 1937 105 kgs. of steel per capita were produced, as against 397 in the U.S.A. (1929), 291 in Germany (1929), 279 in England (1929), and 188 in France (1929).

439 The *Manchester Guardian* of 19 May, 1949, dealt with the need of the satellite states for capital goods and Russia's inability to satisfy it:

'. . . Russia's satellites do genuinely want more trade across the Iron Curtain. They badly need both machinery from Western Europe itself and raw materials from the British Commonwealth. Trade with Russia has quite failed to take the part in their economy that the West, and Germany especially, used to do. The Russians cannot make enough capital goods both for their own needs and for the industrialisation of Eastern Europe; it is, of course, the satellites who go without.'

This explains why at least two of the satellites, Czechoslovakia and Poland, showed clearly that they wished to take part in the Marshall Plan. On 4th July, 1947, the Czechoslovak Government decided *unanimously* to accept the invitation to the Paris Conference convened to discuss the Marshall Plan. A few days later Gottwald and Masaryk left for Moscow and three days later Prague declared that the Government declined to take part in the Conference. Even when, under Moscow's orders, the satellites fell into line on this question, the

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incapacity of Russia to supply their needs made it more and more pressing for them to try to get equipment from Western Europe. This need expressed itself in the case of Yugoslavia in a revolt against the Moscow ukase (see Part III, *The Rebellious Satellite*) and in the case of the other satellites in an appeal to the West to supply the goods—an appeal that, because of its expediency, was not vetoed by Moscow. At the Conference of the Economic Commission for Europe of the United Nations, the Polish and Czech delegates asked for trade with Western Europe, by which they could obtain capital goods. The Bulgarian delegate stated that his country could not improve her economic position to any extent without increasing her imports, especially of machines, from the West. (United Nations Documents, E/ECE/SR4/1-25).

Russia, with the majority of her population engaged in agriculture, is faced with the same problem as her satellites (apart from the Czech lands of Czechoslovakia and the Soviet Zones of Germany and Austria)—large-scale industrialisation. The terrible destruction suffered by the U.S.S.R. in World War II, as well as the preparations for World War III, which require the same materials as industrialisation—steel, coal, machinery, etc.—render Russia even less able to help the countries of Eastern Europe.

Dismantling, Looting, Requisitioning

When the populations of Eastern Europe, mainly of the ex-enemy countries, first met the Russian Army and State officials, they did not see them bringing gifts, supplying machinery, locomotives, etc., but looting their country.

Stalin forgot that the Communist International had preached for years against the reparation articles of the Versailles Treaty, and had reiterated that the German workers bore the real burden of reparations, although they did not profit in any way from the war. In World War II the crimes of the Nazi Army were incomparably worse than those of the Kaiser Army in World War I, yet the German people drew no benefit at all from this. On the contrary, the first victim of the Hitler terror was the German people itself. The 800 thousand German Communists, Socialists, trade unionists, Catholics, etc. (not including the German Jews) who passed through prisons and

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648 Poland the Russian army dismantled, according to the estimates
728 of the Communist Minister of Industry, Hilary Minc, 25-30 per cent of all the industrial equipment of the area. (Speech delivered in Warsaw on 20th October, 1945). In Old Poland too, the Russian army dismantled machinery, notably in the Lodz and Bialystok textile works.*

Trade Between Russia and her Satellites

● 439 An important feature of the foreign trade policy of Russia and her satellites is the tendency towards self-sufficiency or autarchy. The following table illustrates this as far as Russia herself is concerned:

U.S.S.R. FOREIGN TRADE (IN MILLION PRE-1914 GOLD RUBLES)

Year	*Export*	*Import*
1913†	1520.1	1375.0
1924/5	577.8	723.4
1927/8	791.6	945.5
1932	574.9	704.0
1937	377.2	294.2
1938	287.8	300.4

The tendency towards economic isolation from the West on the part of the satellites is shown by the following table dealing with the foreign trade of Czechoslovakia, Hungary, Poland, Rumania, Yugoslavia and Bulgaria: (see top of page 63).

As Yugoslavia did not publish figures of foreign trade for the years 1947 and 1948 it was not possible to take them into consideration in drawing up this table. Otherwise the tendency of these countries to trade mainly among themselves and with Russia and to restrict trade relations with countries independent of Russia would have been even more pronounced.

It would of course be one-sided to conclude that this tendency is entirely the result of the choice of these countries them-

000 *Incidentally, even backward China was not left untouched by the greed of the Russian bureaucracy. In June, 1946, Edwin Pauley, U.S. Reparations Commissioner, visited Manchuria and inspected 80 per cent of the Japanese war industry. In his report he stated that the Russian removal of equipment was on such a scale as to retard Manchuria's development by a generation and reduce the country to an agricultural economy. The principal items of equipment removed were machine tools and electrical equipment, although in some cases whole plants were completely stripped. Steel production was reduced by more than 50 per cent. Pauley estimated that altogether the machinery dismantled by the Russians was worth 850 million dollars. (*The World Today*, August, 1946). That this was a very heavy burden for Manchuria is clear from the fact that in 1932-1943 the total Japanese investments in Manchuria were evaluated at 5,393 million yen (about 1,200 million dollars).

†In the pre-1914 boundaries.

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EAST EUROPEAN COUNTRIES' FOREIGN TRADE
(MILLIONS OF DOLLARS IN 1938 PRICES)

	Import			Export		
	1938	1947	1948	1938	1947	1948
Trade among themselves and with U.S.S.R. ..	154	184*	335*	161	162*	314*
Trade with other countries ..	750	458†	411†	920	276†	384†
Total	904	642	766	1,081	438	698
And in percentages:						
Trade among themselves and with U.S.S.R. ..	17.0	28.6	46.3	14.9	37.0	45.0
Trade with other countries ..	83.0	71.4	53.7	85.1	63.0	55.0
Total	100.0	100.0	100.0	100.0	100.0	100.0

(Calculated from the table on pp. 66-7 of United Nations *Economic Survey of Europe in 1948*, Geneva, 1949).

selves. To a very considerable extent it was imposed on them by impediments to East-West trade, for which the U.S.A. is responsible. She herself and all the countries who get Marshall Aid enforced an embargo on the export to Eastern Europe of strategic goods, as defined by the secret list of the State Department which covers, apparently, nearly all capital equipment.‡ This has been denounced on many occasions by the governments of Eastern Europe. (See, for instance, the speeches of the representatives of the Russian bloc of countries in the United Nations Economic Commission for Europe).

But equally certainly the 'Iron Curtain' created by the United States is not the only, or even the chief, cause of the tendency of members of the Russian bloc to trade mainly among themselves. This becomes clear from an examination of the trend of Russian foreign trade since 1929, when it was not faced by conditions of economic blockade. During the world depression it was very easy for any country willing to *buy* to come to bilateral trade agreements with other countries. This is illustrated by Germany's trade with the countries of Eastern

*excluding Yugoslavia.

†excluding trade between Germany and Yugoslavia.

‡According to Poland's Foreign Minister, Modzelewski, this term is interpreted to include 'cotton linters, synthetic resin, condenser tubes, radio valves, measuring apparatus, gramophone recording discs, needles for the textile industry, ball bearings, etc.'. (Speech in the second committee of the United Nations General Assembly, 2nd November, 1948).

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439 Europe since 1936. Yet Russia took advantage of this to only a small extent. (See table above).*

In 1938, U.S.S.R. and the countries of Eastern Europe bought 17 per cent of their imports from each other (in this case including Yugoslavia), in 1948 they bought 46.3 per cent (in this case excluding Yugoslavia), while the corresponding percentages for exports were 14.9 per cent and 45 per cent.

An analysis of the item 'Trade among themselves and with U.S.S.R.' reveals a very illuminating fact. The trade between the Eastern European countries themselves is not much larger today than it was before the war, but their trade with U.S.S.R. has increased tremendously:

	Imports (millions of dollars in 1938 prices)			Exports (millions of dollars in 1938 prices)		
	1938	1947	1948	1938	1947	1948
Trade among Eastern European countries themselves ..	147	87	186	147	87	186
Trade between Eastern European countries and U.S.S.R.	7	97*	169*	14	75*	128*

*excluding Yugoslavia.

While the foreign trade of the countries of Eastern Europe with each other was 27 per cent higher in 1948 than in 1938, their imports from U.S.S.R. rose by 2,314 per cent, and their exports to U.S.S.R. by 814 per cent. It must be remembered that 'reparations' to Russia are not included in these figures and that while Yugoslavia's trade with the other countries of Eastern Europe is included, her trade with U.S.S.R. in 1948 is not. Otherwise the rise would have been even bigger.

The long-term trade agreements between U.S.S.R. and the Eastern European countries stipulated a continuation of the expansion of their mutual trade in 1949 over 1948. Thus the trade of the U.S.S.R. with Poland was due to rise by some 35 per cent, with Czechoslovakia by more than 45 per cent, while trade with Rumania was to be more than doubled and that with Hungary to be trebled. U.S.S.R. trade with Yugo-

*This shows how demagogic is the slogan of the Communist Party in Britain today—'Trade with U.S.S.R. and the People's Democracies!'—which assumes that these countries, in contradistinction to the U.S.A., indulge in trade with no political strings attached, that they are ready to trade on a large scale with Britain or any other country that is not under the same political system. Yet U.S.S.R. and her satellites broke nearly all trade relations with Yugoslavia after the Stalin-Tito clash. See pp. 238-9.

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slavia on the other hand was to be curtailed in 1949 to a bare eighth of the 1948 value.

The economic needs of these countries will tend to lead in time to increasing integration of their economies and increasing trade among themselves (already today there is a considerable increase in the trade of Czechoslovakia with Poland and a number of other satellites). But so long as their policitical systems remain unchanged, trade between the satellites will remain subordinated to the trade of each of them with Russia. The pattern of the trade is moulded within the framework of an increasingly autarchic Empire. The establishment of the Council for Mutual Economic Aid (or 'Comecon') in January, 1949, to co-ordinate the trade of the 'People's Democracies' with each other and the U.S.S.R. came to fortify Russian *Grossraumwirtschaft*.

Let us now pass from the quantities of goods exchanged to their quality. The commodity composition of the present trade between Russia and her satellites is very different from that between an industrial imperialist power and her agrarian colonies. Thus while Britain is a great importer of raw materials and foodstuffs from her colonies and supplies them with manufactured goods, and while a similar relationship existed between Germany and the countries of Eastern Europe before the second world war, Russia both exports and imports primary products and manufactured goods to and from her satellites. She supplies them with tractors and industrial machinery as well as raw materials such as cotton, iron ore, manganese, chemicals and grain. She also imports from them machinery (Czechoslovakia, Hungary) and manufactured consumer goods. Russia supplies raw materials and gets a portion of the manufactured goods produced from the raw materials, e.g., she gives cotton and gets cotton goods, gives leather (especially to Czechoslovakia) and gets shoes, etc. This composition of Russia's trade with her satellites shows that she is faced with a problem similar to theirs—the industrialisation of the country.*

The prices Russia pays for the commodities she buys from her satellites and the prices she takes for what she sells to them

*In the future, it seems, it will be impossible to find out how the foreign trade of the Russian satellites is divided among different countries, as instead of the foreign trade being evaluated in dollars it will be evaluated in rubles (as is already being done in Poland).

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● 439 are, for some reason, kept secret. While it is easy to find out, for example, how many yards of cotton goods Britain sold in 1948 to various countries, and at what prices, information about the quantity of cotton goods supplied to Russia by Hungary and their price is as jealously guarded as a military secret. Tito, after the rift with the Cominform, could say that there was 'capitalist trade among socialist countries'. No official of the Cominform has denied that capitalist principles of trade prevail among the 'People's Democracies' and between them and Russia, far less attempted to show what other principles prevail. One of the essential characteristics of capitalist trade is that when one side is in a monopolistic position it can generally buy more cheaply and sell more dearly than the other. The tendency towards autarchy of Russia and her satellites and the political power of the Kremlin over the governments of the satellites—which are, of course, connected phenomena—put each of the satellites into a position of utter dependence on the monopolist trader. This explains both the scarcity of information on prices and the deleterious character for Russia of the information which did leak out and which would otherwise have been inexplicable.

The Polish-Soviet agreement dated August 16th, 1945, stipulated that from 1946 onwards, Poland was to deliver to U.S.S.R. at a special price the following quantities of coal: 1946, 8 million tons; from 1947 to 1950, 13 million tons each year; and subsequently 12 million tons annually as long as the occupation of Germany continued. This coal, however cheap it was, was not to be paid for by Russian products but by reparations taken from Germany by Russia and transferred to Poland. According to Prof. W. J. Rose, the price agreed on was said to be 2 dollars per ton (*Poland Old and New*, London, 1948, p. 290). Stanislaw Mikolajczyk, who was Vice-Premier of Poland at the time, reports that the agreement was for an even lower price, 1.25 dollars a ton (*The Pattern of Soviet Domination*, London, 1948, pp. 158-9). As far as is known, Poland did not get anything on this account. Russia's excuse could be very simple: the Western Powers did not carry out their obligations to supply Russia with reparations from Western Germany. Anyhow, 12-13 million tons of coal at 2 or 1.25 dollars a ton, was extremely cheap. At the time of the

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signing of the Polish-Soviet agreement Denmark and Sweden were offering Poland 12 dollars a ton, subsequently to be raised to 16 dollars. The robbery of Poland through this transaction alone amounted to over 100 million dollars a year*. In 1948, Russia cut her demands for Polish coal to 7 million tons a year; even so this is a heavy commitment for Poland.

Another example of these sharp trade practices is given by Felix Belair in the *New York Herald Tribune* (quoted by E. Germain, 'L'Europe orientale depuis deux ans', *Quatrième Internationale*, Paris, March-April, 1949). He quotes the case of the agreement of U.S.S.R. with Czechoslovakia by which shoes manufactured from leather supplied by U.S.S.R. to the former Bata Plants were sold to Russia at a price fixed at 170 Crowns although the actual cost price per pair was 300 Crowns. At the same time, when Czechoslovakia was forced by the severe drought of 1947-8 to buy 600 thousand tons of grain from Russia, she was made to pay more than 4 dollars a bushel, while the United States sold a bushel of grain for 2.5 dollars. The price charged was thus over 50 per cent higher than that prevailing in the world market. Another example is that of Bulgarian tobacco. Russia bought four-fifths of Bulgaria's 1948 tobacco crop so cheaply that she could afford to sell it to Italy for dollars at a price which undercut by 35 per cent the Bulgarians who were also trying to secure dollars with the remainder of their tobacco. "Borba" of 31 March, 1949, remainder of their tobacco. 'Borba' of 31 March, 1949, printed the following fact: while it cost Yugoslavia 500,000 dinars to produce one ton of molybdenum—the essential ingredient of steel—Russia before the Stalin-Tito rift, paid only 45,000 dinars a ton.

The 'Advantage' of being a Colony of an Industrially Backward Imperialist Power

The industrial backwardness of the imperialist country can have one good result for the colonies which is not usually offered by a highly industrialized imperialist country. *Because* of her backwardness the imperialist country looks upon the colonies as an *additional source of industrial strength*, supporting

*To get some idea of this amount, it is worth mentioning that British capitalists never got such a large annual profit out of their investments in India.

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in manufacturing industry, the Czechoslovak Plan an increase of 250,000, the Bulgarian Plan an increase of 90,000 and the Hungarian Plan an increase of 300,000 (including industries other than manufacturing). The U.N. Survey that gives these facts, remarks: 'These figures, if related to present employment in manufacturing, indicate a substantial increase. If, however, the figures are related to the total populations of the countries, they are less striking. In the four countries mentioned, additional employment in industry over the plan period accounts for only 1 to 2 per cent of the total population, which in itself is expected to rise by some 5 per cent in the same period' (p. 206).

On many points the plans are silent. Unlike Russia's first Five Year Plan or the plans of the Organisation for European Economic Co-operation for Western Europe, the Plans of the 'People's Democracies' contain no information about foreign trade either among themselves or between each of them and Russia, or the West. They also blur over the question of how the total national income will be divided between consumption and accumulation (investment), but contain only some scattered information about the planned consumption of some particular goods. This silence speaks volumes. The non-publication of information about foreign trade is intended to cover up the exploitation of these countries by Russia; the non-publication of information about the division of the national income between consumption and accumulation is intended to cover up the exploitation of the masses under the banner of industrialisation.

This last point about the division of the national income between consumption and accumulation is of vital importance when we attempt to discover the factors determining the living conditions of the masses. Burdened with a terrible backwardness, an autocratic bureaucracy and the yoke of Russian imperialism, industrialisation will inevitably be carried out in such a way that compulsory savings will far surpass what the people themselves would be ready to save of their own free will. In such circumstances, consumption must be subordinated to accumulation, as the experience of Eastern Europe over the past few years (and of twenty years' planning in Russia) has clearly shown. The following table illustrates the 'capital

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241 434 rived from agriculture. National prosperity was dependent on the outcome of harvests and on the possibility of agricultural exports.

● 439 In the interwar period, these countries were victims of the fluctuations of the world market and of the policy of autarky which resulted from them. The countries of Western Europe from 1930 to 1932 imposed high tariffs on food imports in order to ward off the effects of the international slump in agriculture. In doing so, they ruined the Eastern European peasant. Export of agricultural products from all Eastern European countries was reduced to a minimum and prevented these countries from balancing their trade. Thus, it was impossible for them to buy the industrial goods and manufactures on which they depended to maintain industrial employment and the standard of living of the peasants themselves.

This crisis further reduced the possibilities of export because the Eastern European states were unable to compete in prices with the overseas agricultural exporting countries that had technical aid at their disposal and because they could not afford the enormous sums necessary for subsidizing exports of agricultural products. Many attempts were made by agrarian conferences to alleviate the distress by asking a preferential tariff system for this region, which would have meant the almost complete abolition of the most-favored-nation clause in bilateral commercial agreements. Another remedy was seen in the creation of an interstate grain purchasing commission that would buy up the chief surpluses from the Eastern European countries and distribute them among the different European importing countries. These proposed methods arose from the primary need of Eastern Europe, which was to acquire some form of economic security in the world market in order to provide a stable basis for peasant society.

Everything was in vain. It was impossible to achieve

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stable, fair prices for agricultural products and to secure them a market. The Czechoslovakian Grain State Monopoly, established in 1934, was the only institution to bring any real benefit to the farming population. In other Eastern European countries, the situation reduced even further both the internal market and the income per head of the rural population. Less money than ever was available for improvements or for educating the peasants in new methods and techniques.

The alleviation of this situation came from Nazi Germany. Since 1935 Germany had been buying the greatest proportion of this region's agricultural surpluses and, in return, had been sending its own industrial goods into that area. Eastern Europe, and the Balkan states especially, became so dependent upon Germany's buying that the term "economic conquest" became a reality. This conquest, which was later political and military, of course did not bring any remedy to the agricultural problem of this region.

III

The Second World War devastated whole countries. Nowhere did the four horsemen of the Apocalypse reap a greater harvest than in Poland and Yugoslavia. In their wake came a troubled period which brought with it all the miseries and hardships that have always attended political and social revolutions. Vast numbers of the population were killed during the war. In Poland alone these numbered six million. The unbalance which this caused was greatly aggravated by enormous shifts of population in many of the Eastern European countries. The Germans were expelled from Poland and Czechoslovakia in millions, and from Hungary, Yugoslavia, and Rumania in hundreds of thousands. The total number of Germans expelled from this region was estimated at over eleven million. Changes in state

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648 433 178 pirations mostly in order to develop a modern industry capable of meeting war needs.

The assumption that work invested in industrial development would improve economic conditions was a decisive factor in influencing states to industrialize. This assumption was particularly valid in regions with climatic extremities and little arable land. Some of the means used to foster industrialization were technical education, customs, embargoes, tax exemptions, monopolies, favorable credit policies, and provisions protecting the joint interests of domestic industries. The assembly line system, as influenced by the United States, was started in the industrial sector in the '30's.

Branches of industry requiring specialized skill were developed mainly in Czechoslovakia and Hungary, but they did not attract many from the surplus peasant population which still preferred unskilled jobs. The competition, such as it was, for unskilled jobs resulted in a low wage level. Therefore, the increase in purchasing power was gradual. Peasant poverty and the lack of skill and capital were the fundamental problems facing industrialization programs and the new governmental economic policies.

426 439 The general poverty was further increased by the fact that the small Eastern European countries were debtor states. The solvency of Czechoslovakia was dependent on the export of industrial goods, while other states depended upon agricultural exports or, as in Rumania, upon mineral raw materials and lumber as well as on agricultural goods. Foreign debts, incurred before and after the First World War, weighed heavily on the budgets of the individual countries. Only one half of the debts were repaid during the interwar period. Foreign loans were given too often on the basis of political considerations. The boundaries erected by the 1920 peace treaties had already broken up natural economic and geographic areas, and the disproportionate lending policies of foreign powers hindered the uniform economic development of East-

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ern Europe. The individual states became more and more antagonistic and trade within the Eastern European area often took a course contrary to the requirements of reasonable economic policies. Free trade, cherished in the first postwar years, was soon abandoned for the sake of a policy of protective tariffs. Customs, duties, and foreign exchange restrictions to prevent speculation, were introduced to protect economic development and strength.

Both "economic nationalism" and "small power imperialism" were features characteristic of this area in the period between the wars. When the economic position of the new states in the '20's is compared with the situation prior to the First World War, the problems of these states emerge clearly. The economic well-being of the old Austro-Hungarian empire lay in the regional character of its economic organization, which depended mostly on a coordinated internal market and a natural division of labor between the component parts of the empire. Although it was a social and cultural mosaic, the empire was organized in such a manner as to take advantage of the regional distribution of natural resources and the differing skills of the various populations.

The peace treaties ending the First World War, while meeting the political aspirations of various nationalities, did not provide a satisfactory solution to the economic problems of the region, and the newly created states were divided by serious political and economic differences. Political animosity soon led to economic warfare, and self-sufficiency, the driving motivation of the new states, precluded any real possibility of economic cooperation. The world depression of the early '30's led to the final economic and psychological collapse of Eastern European stability and opened the door wide to German economic penetration and the eventual conquest of the region.

The foreign trade of the Eastern European countries in the years 1919-1944 was far smaller than it should have

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439 been, considering the size and population of these countries. Although they comprised roughly 25 per cent of Europe's area and population, excluding the European part of the Soviet Union, they handled no more than 10 or 11 per cent of Europe's exports and imports. About one third of the trade of the Eastern European area was purely regional. With the exception of Albania which traded mainly with Italy, Eastern Europe's trade list was headed by Germany, followed by the competing states of Austria, Great Britain, and the United States. The predominance of Germany became even greater during the war years. Trade was one of Germany's most important means of influencing the political, social, and cultural life of this region.

II

178 By 1918 the countries of Eastern Europe had reached different stages of social evolution. In Poland and Hungary the aristocracy had preserved considerable power in spite of a rising intellectual bourgeoisie. In Rumania and Croatia the power of the aristocracy had been wiped out by the land reforms and leadership had been taken over by a commercial middle class. In Czechoslovakia a strong bureaucratic and commercial element had risen to leadership. In the Baltic states, also, it was mainly the commercial class which had ascended to leading positions. Yugoslavia, Bulgaria, and Albania had no aristocracy and only a small intellectual bourgeoisie and commercial class.

369 It was generally from the rural stratum of village teachers, priests, station masters, and notaries that the new bourgeoisie and the ruling class arose. The children of an educated father, who was able to secure a better place in society, had a better chance of entering a university—the sanctuary as much of social position and status as of knowledge. However, those who succeeded in obtaining graduate and other degrees in

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general were slow to learn and to develop their abilities. They did not cooperate with regulations and laws even when such were to their own benefit, an attitude that stems from many centuries of oppression.

IV

It is difficult to say what turn the development of Eastern Europe might have taken if, after gaining full freedom and independence in the twentieth century, the countries of this region had been given the chance to progress in a peaceful era. The countries of Eastern Europe, immediately after recovering from the traumatic depression of the 1930's, were confronted with German and Russian imperialism without even a chance to settle down for a period of healthy evolution. Unhappily, the Western European powers, after their unfortunate appeasement policy towards Hitler which completely confused the Eastern European nations, joined hands too tightly with communist Russia. The Eastern European states, semidemocratic, semidictatorial, balancing between bankruptcy and future recovery, between socialism and aristocratic-bourgeois traditions, were a brutally realistic mirror of Europe's modern revolution.

Germany used all means possible to influence and to dominate the area. Basing its actions upon meticulous studies of the history, geography, politics, economics, social life, and cultural habits of the respective countries, Germany gained influence through the use of economic penetration, antisemitism, social-revolutionary propaganda, antibolshevism, and diplomacy. The Eastern European states could not very well defend themselves against such brilliantly conducted infiltration. Nor could their economics develop satisfactorily when American, British, French, and Swiss businessmen were completely disinterested in trade and investment in Eastern Europe since the prospects for profit were not great in that

area. It is unjust to accuse the Eastern European states of favoring Germany when this country alone was willing to trade with them and did not demand hard currency payments. Germany bought large quantities of Eastern European products and forced the sellers to buy from her various articles, including gadgets, luxury goods, and many other products, the prices of which were beyond the purchasing power of the buyers.

Antisemitic movements in Eastern Europe often received aid in the form of money from Nazi Germany which practice increased dependence upon that country. Through the various Nazi-supported parties in almost every country and through fifth column organizations, the Germans instigated conflicts between the ruling classes and the dissatisfied social elements. At the same time antibolshevik propaganda was strongly and successfully supported by German diplomacy.

Czechoslovakia, in 1938, was the first to lose her independence. Poland fell in 1939, and Yugoslavia followed in 1941. The years 1939 through 1944 were truly critical for Eastern Europe. The German-Russian imperialistic pincers tightened steadily. Nazi Germany won easy diplomatic victories over the Western European powers whose conciliatory policies were astounding. Even more astounding was their sudden turn to anti-German propaganda and war. Squeezed between the arbitrary policy of the Western powers and the expanding German and Soviet giants, the Eastern European nations had no other choice than to muddle through. Apprehensively watching an alliance of giants and often impressed by the achievements of these powers, they tried to appease them, aid them, or fight them.

Peace economy was turned into war economy. This decreased unemployment, and war losses decreased it even further. The most active age group, already reduced by the slump in birth rate after the First World War, was thinned even more. Youth, accustomed to tackling problems in terms

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produce many substitutes. Today, shortages of raw materials are covered by imports from abroad, most of these from the Soviet Union. Economic autarky is not possible in Eastern Europe alone, but the Soviet bloc, including Russia and China, is almost self-sufficient in raw materials.

Under the unrelenting pressure of Moscow, the output of machinery and plant equipment in this area is making steady and rapid progress. The period when most of these countries must depend on importation of machinery from the West is almost over. Were all Western sources of industrial machinery to be completely closed to the captive area, its industrialization would be slowed and delayed but not halted. As things stand now, much industrial equipment is still imported from Western Europe, legally or illegally, and the Soviet Union can take care of the other shortages. Czechoslovakia, Eastern Germany, and, to a lesser degree, Hungary produce machinery above their home requirements, and part of the surplus goes to other captive countries, to the Soviet Union, and to China.

According to United Nations data,[2] the 1951 indices of industrial production in the single countries of this area in comparison to 1938 were as follows: Eastern Germany, 115 per cent; Czechoslovakia, 168; Rumania, 206; Hungary, 267; Poland, 270; and Bulgaria, 345 per cent. In considering these figures, it is necessary to bear in mind that 1938 was not the peak production year in Eastern Europe. Between 1938 and 1943-44, the industrial output of Czechoslovakia and Hungary rose noticeably owing to the erection of many new industrial plants, so that only a part of their industrial expansion since 1938 can be attributed to the efforts of their present governments. Poland's industrial potential increased in 1945 by at least one third, due to the acquisition of ex-German Silesia. Bulgaria's industrial po-

[2] *Economic Survey of Europe Since the War* (Geneva: United Nations, 1953), p. 239, Table 1.

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produce litt'e, if anything, and the vast apparatus of standing armed forces, of police and poli ical supervision, of party machinery and propaganda, does not create wealth but consumes it. The onetime waste of unemployment has been partly supplanted by the waste of the immense state machinery of control and compulsion inherent in all totalitarian systems and particularly odious under Communism.

In addition to this costly political overhead, there are three other burdens to the national economies of these countries. One is the cost of planning both on a national scale and in minute detail, an economically unlikely proposition, resulting in duplication of work, omissions, bottlenecks, and other forms of economic confusion. This has been one of the main reasons why the Yugoslav Five Year Plan has never been fully realized. This type of waste can only be eliminated very gradually, if at all. The second type of waste is directly due to Communism. In the free world, private property is fairly generally respected and cared for by its owners and by the public at large. Public property, being the exception rather than the rule, also enjoys respect and cases of vandalism are few. In Eastern Europe, state property is the rule, and very few people give it proper respect. The Communists are aware of this general neglect and the ensuing injury to the economy but believe that in time society will be taught to take care of what is defined as people's wealth. However, during thirty-five years of Communism in Russia, there has been little progress in this direction. The third burden on the state economy is a specific feature of the countries of Eastern Europe. All of them have to pay heavy tribute to the Russian big brother. Russia exploits the captive nations in many ways: by reparations in kind, mixed companies, trade agreements, high prices for imports from Russia and low prices for exports to Russia, maintenance costs for Soviet troops, high salaries for Russian experts and advisers, and the like. These nations cannot express themselves on this topic, but

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648 there is overwhelming evidence that they are aware of being
439 fleeced by the Russians to the extent of hundreds of millions of dollars annually.

III

439 One of the main results of the existence of the Iron Curtain
185 is the gradual integration of Eastern Europe into the Soviet economy. Under the present circumstances, Soviet Russia lays hands on many of the raw materials and industrial goods, both capital and consumer, that are put out by the captive countries. The realization of its economic plans depends in no small way upon these goods. The industrialization of this area also depends on imports and could not proceed at its present rapid rate without the importation of machinery and, more important, of raw materials from the Soviet Union, in particular from the Ukraine. These countries are meeting with restrictions on the importation of so-called strategic goods from the United States and from some other Western countries. However, even if there were no such restrictions, these countries would have difficulty in paying for imported goods, since they do not produce sufficient surpluses of goods that interest several of the most important Western markets, for instance, the United States, the British dominions, France, and possibly Western Germany. On the other hand, the capacity of the Soviet Union and China to consume goods produced by the states of Eastern Europe is practically limitless.

For all these reasons, in addition to political expediency, trade between this area and the Soviet Union has been increasing rapidly from year to year. Were it not for Soviet iron and manganese ore, colored metals, phosphate rock and sulphur, cotton, wool, and, in certain parts of the area, coke and pig iron, many metallurgical, chemical, and textile plants in the area would have to close down. Indeed, they will do

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so if for some reason, general mobilization in Russia, for example, freight traffic with Russia is interrupted. To sum up, links have been created between these states and Russia which, because of the self-isolation of the latter, did not exist before the war and which would be difficult to sever in the future.

At the same time that economic links are being established between Eastern Europe and Russia, the individual states, in particular Eastern Germany, Czechoslovakia, Poland, and Hungary, are being economically integrated with each other. This is an inevitable result of the present process of the industrialization of these countries. Trade among them is also expanding constantly, and many plants are being erected by the technically more advanced states of the area on the territory of the less advanced. To quote but one example, the Czechs are building many electric and chemical plants in Poland, Hungary, Rumania, and Bulgaria. There are other forms of this interregional economic collaboration which is, for the most part, better justified economically and more natural than collaboration with the Soviet Union.

The two movements toward integration, one with Russia and the other interregional, are developing in a parallel way. It is difficult to say which of the two trends is more intensive, although possibly that with Russia is. They can be judged by the data, published several months ago in Moscow, on this area's foreign trade for 1951. When checked with United Nations information on the same subject, the following table appears to be substantially correct.

The table shows that the northern part of the area conducts more trade with other states than with the Soviet Union, while the contrary is true of the south of the area. Soviet Russia does as much trade with Rumania and Bulgaria as Nazi Germany used to do around 1940. Because of their geographical position and the rural structure of their economies, these two countries are on their way toward being drawn into

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Foreign Trade of Poland, Czechoslovakia, Hungary, Rumania, Bulgaria, and Albania—1951 [4]

(IN PERCENTAGE OF TRADE WITH)

	USSR	*Other Communist Countries (including Eastern Germany and China)*	*Free World*
Poland	25	33	42
Czechoslovakia	28	32	40
Hungary	29	38	33
Rumania	51	28	21
Bulgaria	58	34	8
Albania	57	43	0

the economic system of the Soviet Union. The remaining four countries are less economically dependent on Russia. The place of Eastern Germany in interregional trade is very important. It is able to supply the rest of this area with much heavy and precision machinery, as well as potash and other fertilizers, in exchange for fuel, foodstuffs, and raw materials.

IV

185 661 642 The social policies of the satellite governments follow in their general outlines those practiced by the Soviet Union but may be described as somewhat more moderate, if only because the respect for human values has been more deeply ingrained in the westernized societies of Eastern Europe than they have in Russia.

The principle dominating these policies is that the Soviet-type revolution was made in the Eastern European countries in the interest of the people and that it continues to serve their interests. There is no speech made or publication issued be-

[4] P. Suslin, "The Consolidation of the Democratic World Market," *New Times* (Moscow), No. 5 (January 28, 1953), p. 10.

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vious shortages of consumer goods and to increase substantially the standard of living of the Soviet population. This announcement was followed by similar declarations in the captive countries. Their governments bound themselves to increase investments in agriculture, housing and light industries producing consumer goods. In Eastern Germany, Hungary, Czechoslovakia and Rumania, and somewhat later in Poland, qualified promises were made to the effect that the hitherto very rapid rate of heavy industrial expansion would be slowed down. At the same time two of the greatest works under construction in the area have been interrupted if not abandoned: the Danube-Black Sea canal in Rumania and, to all appearances, the huge HUKO iron and steel 'combinat' in Eastern Slovakia. These public statements were in themselves equivalent to an official admission that the condition of the population was miserable.

Time alone will show whether, and to what extent, these new policies will be realized. The bumper 1953 harvest in most of the key provinces of the area would undoubtedly relieve its food scarcity if it were not for the fact that a great deal of this harvest has been earmarked for export. The Soviet government stated recently that it would import food and consumer goods from Eastern Europe to the extent of some 660 million dollars, and Eastern Germany expects to import similar goods from this area, as well as from China which has little to export, in the amount of 125 million dollars. The captive area proper, suffering itself from an acute shortage of consumer goods, would thus be forced to contribute to the betterment of the Soviet and Eastern German economies at the rate of more than eleven dollars per capita of its population. Even if the governments of the area do their best to increase the standard of living of the working masses, much time must inevitably pass between the inauguration of the new policy and the actual increase in the production of consumer goods. For example, the present insufficient produc-

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the ultimate responsibility for the collapse of Czechoslovakia must rest with the Western powers, yet it is conceivable that had the Eastern European states, above all Poland and Czechoslovakia, stood together, it might have been possible to stiffen the French spine at this fatal juncture. From Munich the road led to the crises of 1939, and eventually to the German-Soviet pact of August, which spelt the end of independent Eastern Europe.

Germany's economic penetration of Eastern Europe after 1933 was not a primary factor in the breakup of this region. While the reality of the penetration cannot be denied, for it meant much more than foisting aspirin and cameras on the Eastern European states, its importance may be questioned. This penetration did not really impair the political independence of these states until after the diplomatic situation had deteriorated greatly, and some of the German trade agreements which really bound the economies of the area were a result rather than a cause of the shift in the balance of power.

One may ask at this point about the influence of the domestic political and social problems of Eastern Europe on international relations. A good deal has been written about the failure of parliamentary and constitutional regimes in Eastern Europe, and their replacement by authoritarian regimes. Some have concluded from this that there was a tendency on the part of these regimes to gravitate toward Hitler and to refuse to have anything to do with the Soviet Union at a time when Litvinov was loudly calling, at the League and elsewhere, for collective security against aggression.

The relationship between foreign and domestic policy is always a complex and debatable one. In the case of Eastern Europe, however, one must steer a course between two inadequate interpretations of this relationship, which may be called the Popular Frontist and the Retrospective Vindica-

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As early as 1945, the Soviet Union began to negotiate
trade agreements with all the Eastern European countries. 648
In the beginning these trade agreements were limited to the 439 ●
determination of goods to be mutually delivered during a specific period of time. In time these trade agreements were replaced by more elaborate documents which established definite goals to be achieved in the exchange of commodities between the countries concerned. If the new treaties and agreements indicate anything, they indicate the primacy of economics in the Soviet outlook. This was but one means by which the preponderance of the Soviet Union in the area was assured.

Although the Council on Mutual Economic Assistance (Comecon) was announced to the world in 1949, it is not yet clear that complete economic integration exists. What is clear is a trend to make the various captive countries of the orbit dependent upon the Soviet Union, since the area does not possess half the basic raw materials that it needs. Thus while there is no economic integration of the satellites as a regional bloc, there is a tendency because of their need for raw materials for them to become part of one centralized Soviet system.

This system is best evidenced by the existence of joint or 315
mixed companies. In Rumania, the oil fields are owned by 439
a mixed Soviet-Rumanian company. In effect this means that the Soviets control Rumanian petroleum production. The Russian representatives on the company board control the majority of votes and are in a position to decide policies and production norms. In addition, the companies operate rent free, receive the highest priorities in labor, equipment and resources.

The extent of Soviet parasitism in Eastern Europe might 648
have remained a "state secret" had not the Yugoslavs di- 439
vulged it to the world. As the Yugoslav *White Book* so well documents, one of their major criticisms of the Soviet behavior arose from the negotiations over the so-called Soviet-

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Yugoslav joint companies. The Yugoslav experience is of particular interest since it reflects that of the rest of the orbit. The Soviet Union and the Federated People's Republic of Yugoslavia signed an economic agreement on April 11, 1945. The communiqué released after the negotiations stated that the Soviet government agreed to supply the Yugoslav army with arms and ammunition on long-term credits and to aid in the restoration of the Yugoslav war industry. At the same time both sides agreed on mutual deliveries of goods. The Soviet government was to meet the requirements of the Yugoslav economy as to raw materials, technical advice and other services.

The signatories have never made public the details of this agreement, but the Yugoslav-Cominform differences threw some light on Soviet trading techniques. On March 31, 1949, *Borba*, the official newspaper of the Communist Party of Yugoslavia, charged that the Soviet government had violated the agreement for the financial support of Yugoslav students attending Soviet schools by forcing the Yugoslav government to pay for their upkeep in dollars instead of dinars. It also charged that the Soviet Union unilaterally reduced the volume of trade and that the Soviet government forced the Yugoslavs to sell their raw materials at prices below world market prices.

In his description on October 7, 1949, of the operations of Soviet-Yugoslav joint companies, Dr. Vilfan, permanent Yugoslav delegate to the United Nations, branded Russia as an exploiter. Speaking before the Economic and Financial Committee of the United Nations, Dr. Vilfan described Soviet imperialist practices. As an example, he cited the Joint Yugoslav-Soviet Steamship Company (Juspad). Russia, he claimed, had among other things rigged the transportation charges, causing a loss of $19,000,000 to Yugoslavia in 1948. Vilfan further observed that "the superiority of capi-

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talist monopoly has been replaced by the monopolistic position of the more developed Socialist country." 648 439

While Soviet economic policy had much to do with Yugoslavia's ultimate defection from the orbit, the causes lie deep in Yugoslavia's historical experience and that of Tito and his party's rise to political power. Many of the documents regarding the break have been published, yet much more has to be made available before a definitive judgment can be made and many questions answered.

IV

One fact that should be made clear regarding Yugoslavia and its role in the Soviet orbit is that Tito never "broke" with Moscow. While it is true Tito declined the invitation to attend a Cominform meeting called to consider his case, his action cannot be described as a break. It was Moscow that gave Tito the *coup de main*. It was not until a year later that the Yugoslavs attacked Stalin openly. 648

For centuries, the geographical position of Yugoslavia has made the country a target for political and military pressures from all sides. Now, to the struggle for the control of Yugoslavia's land and sea positions and her resources, the break between Moscow and Belgrade adds a contest for the control of the minds and unquestioned obedience of men. Since Yugoslav Partisans based their National Liberation Movement on the principle of unconditional loyalty to the Soviet Union, prior to the break the Soviet Union had a privileged and controlling position in Yugoslavia's domestic and foreign policy, resources, and manpower.

The institutional system of Yugoslavia fully indicated the allegiance the Partisan leaders had pledged to the Kremlin, and faithfully reflected the structure of the Soviet Union. The People's Front, with the Communist Party of Yugoslavia